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SUBJECT: Philippine Government Makes Case for MCC Compact
Reselection

¶1. (SBU) Summary. The Ambassador was briefed by senior Philippine officials on Philippine Government anti-corruption initiatives over the past year. They made the case for Compact reselection by the Millennium Challenge Corporation (MCC). The team highlighted increased prosecutions of officials accused of corruption, including of prominent Arroyo administration supporters. They discussed steps taken on procurement reform and successes in bringing prominent business groups into the procurement oversight process. The Ambassador remarked that the 2008 initiatives showed that the Philippine Government was serious in advancing its fight against corruption, but that continued progress, particularly in pursuing high-profile cases, is crucial. End summary.

¶2. (SBU) On December 8, Philippine Secretary of Finance Gary Teves, Ombudsman Merceditas Gutierrez, who is in charge of anti-corruption efforts, and Secretary of Budget and Management Rolando Andaya met with the Ambassador to discuss the status of the Philippines' MCC program. Teves, reviewing the results of his recent Washington meetings, noted that the corruption indicator of the MCC is based on 2007 data. He said the government wanted to provide a briefing on what the Philippine government had done since 2007 to combat corruption.

¶3. (SBU) The Ombudsman described the Philippine Government's anti-corruption initiatives of the past year, noting in particular a renewed focus on prosecuting those who are charged. Between January and September 2008, 434 officials were disciplined for corrupt activities, including 145 firings and another 205 suspensions. Ombudsman Gutierrez explained that the government conducted 552 lifestyle checks, whose targets included provincial governors and members of Congress, some of whom were allies of the Arroyo administration. The conviction rate in corruption cases during the nine months was 60.95%, according to Gutierrez. Another 815 cases were dealt with through mediation. Teves said that it will be a priority to investigate and prosecute more high-level officials, and in order to make this work, the GRP will emphasize more solid preparation of cases and cooperation between investigators and prosecutors.

¶4. (SBU) As the Philippine Government intends to use part of its MCC assistance to enhance its procurement reform initiatives, Secretary of Budget and Management Andaya described the work of the Procurement Transparency Group. The Group seeks to incorporate civil society into the procurement process, allowing outside groups and businesses to monitor the bidding process. Six civil society organizations have become involved, the most prominent of which is the Makati Business Club, usually a fierce critic of the Arroyo administration. The Club has concentrated upon public health care contracting, especially hospital upgrade contracts. Andaya noted that he expects the private sector groups to be very effective watchdogs for government procurement.

¶5. (SBU) Secretary Teves restated the commitment of the government

of the Philippines to fight corruption and to meet all its commitments to the MCC. He said this is a priority of President Arroyo, who had instructed the team to brief the Ambassador.

KENNEY